



# POTENTIAL OUTLEASING INITIATIVE FOR NAVAL HOSPITAL NEWPORT, RI



**JULY 30, 2003**



# AGENDA



- Opening Remarks & Greeting
  - CAPT MacMahon (Naval Hospital)
- Overview of Navy's Outleasing Program
  - Gregory Preston (NAVFAC, EFA Northeast)
- Discussion of Property & Navy's Mission and Needs
  - David Alexander (Commander, Navy Region Northeast)
- Review of Important Lease Terms & How to Bid
  - Gregory Preston (NAVFAC, EFA Northeast)
- Questions & Answers (Preston & Alexander)
- Site Visit



# Underlying Purpose for Industry Forum



- Navy seeking to leverage valuable asset.
- Initial belief - long term outlease in exchange for provision of in-kind services is best alternative.
- If not feasible, practical or viable, Navy will explore options including potential disposition of property at Fair Market Value.



# Overview of Navy's Outleasing Program



## ➤ 10 USC §2667

- Provides statutory authority for leasing of DON real property.
- Provides direction on structure and form of Lease.
- Provides direction on collection and use of proceeds.



# Overview of Navy's Outleasinging Program



- Expansion of in-kind consideration allowed:
  - Increased discretion regarding type/form of in-kind consideration.
  - In-kind services no longer limited to the location of the real estate asset being leased.



# Overview of Navy's Outleasing Program



- Limitations of Authority include:
- SECNAV approval for leases in excess of 5 years.
  - Shall provide for the right to revoke (unless waived by SECNAV).
  - Consideration must be in an amount no less than fair market value of the lease interest.
  - Competition.
  - McKinney Act (homeless provider screening).



# Overview of Navy's Outleasinging Program



- Congressional notification required prior to any commitment to accept In-Kind consideration in excess of \$500,000.00, (over life of lease).





# Navy Roles and Responsibilities



- NE Region/Naval Installation:
  - Owns the Land.
  - Looking to leverage real property assets.
- NAVFAC (EFANE):
  - Serves as real estate “agent” in conducting all aspects of negotiating and awarding a lease.
    - ✓ Contract Authority/POC – Gregory Preston, Real Estate Contracting Officer, EFA Northeast, 10 Industrial Highway, MSC 82, Lester, PA 19113.
    - ✓ Performs FMRV appraisal.





# Navy Region Northeast



## **Navy Region Northeast (CNRNE) encompasses the Naval Installations below within the Northeast 8 states**

- Naval Submarine Base New London      Groton, CT
  - Naval Air Station      Brunswick, ME
  - Portsmouth Naval Shipyard      Kittery, ME
  - Naval Weapons Station      Earle, NJ
  - Naval Station Newport      Newport, RI
  - *Naval Air Engineering Station      Lakehurst, NJ (1 Oct 03)*
- 
- ✓ Serves as Regional Area Coordinator for resources, policy and standards of service.
  - ✓ Provides Base Operations Support (BOS).
  - ✓ Oversees land, resources, facilities and equipment.

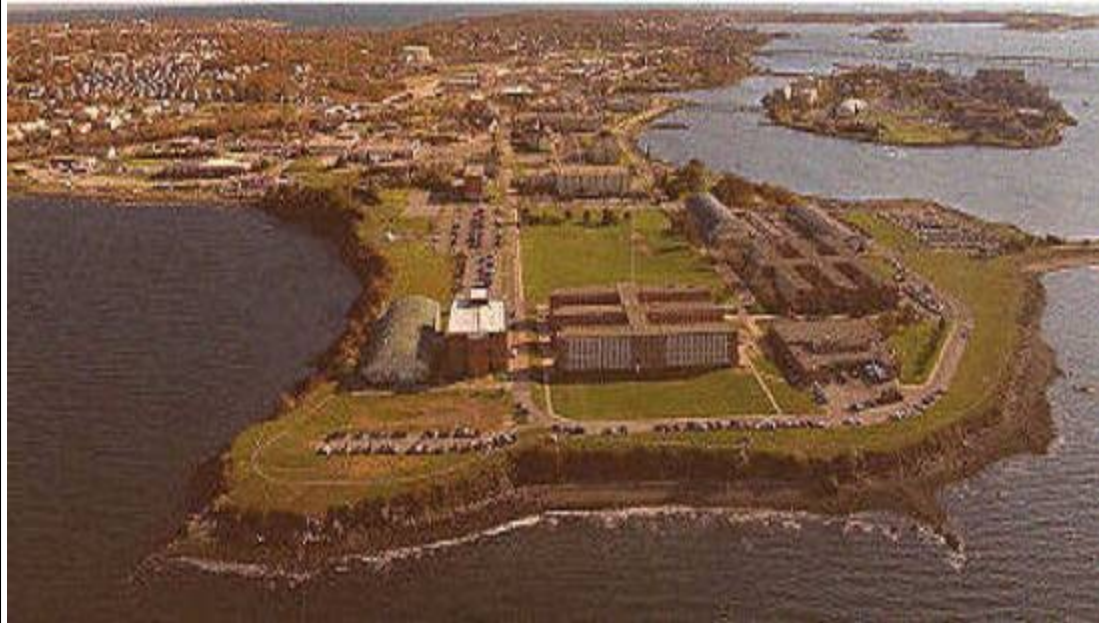


## Functional Responsibilities

- Facilities Management
- Security
- Explosive Safety
- Supply
- Airfield Support
- Port Operations
- Management Analysis
- Disaster Preparedness
- NAVOSH
- Fire/EMS
- Environmental
- Comptroller
- Community



# NAVAL STATION NEWPORT



## Family Housing Assets

Military: 1423

## Average Community Housing Cost

	Rent
Apartment Purchase	\$1,000
N/A	
Condominium \$100,000	\$1,000
Townhouse \$100,000	\$1,000
House \$275,000	\$1,500

## CNRNE Workforce

Military 124

Mil. Payroll  
\$6.8M

Civilian 491

Civ. Payroll

## NAVSTA Workforce

Military 3606

Mil. Payroll  
\$233.7M

Civilian 3650

Civ. Payroll

## NAVSTA Stats

1092 Acres

515 Buildings

35 Tenant  
Commands

PRV is \$1.052B





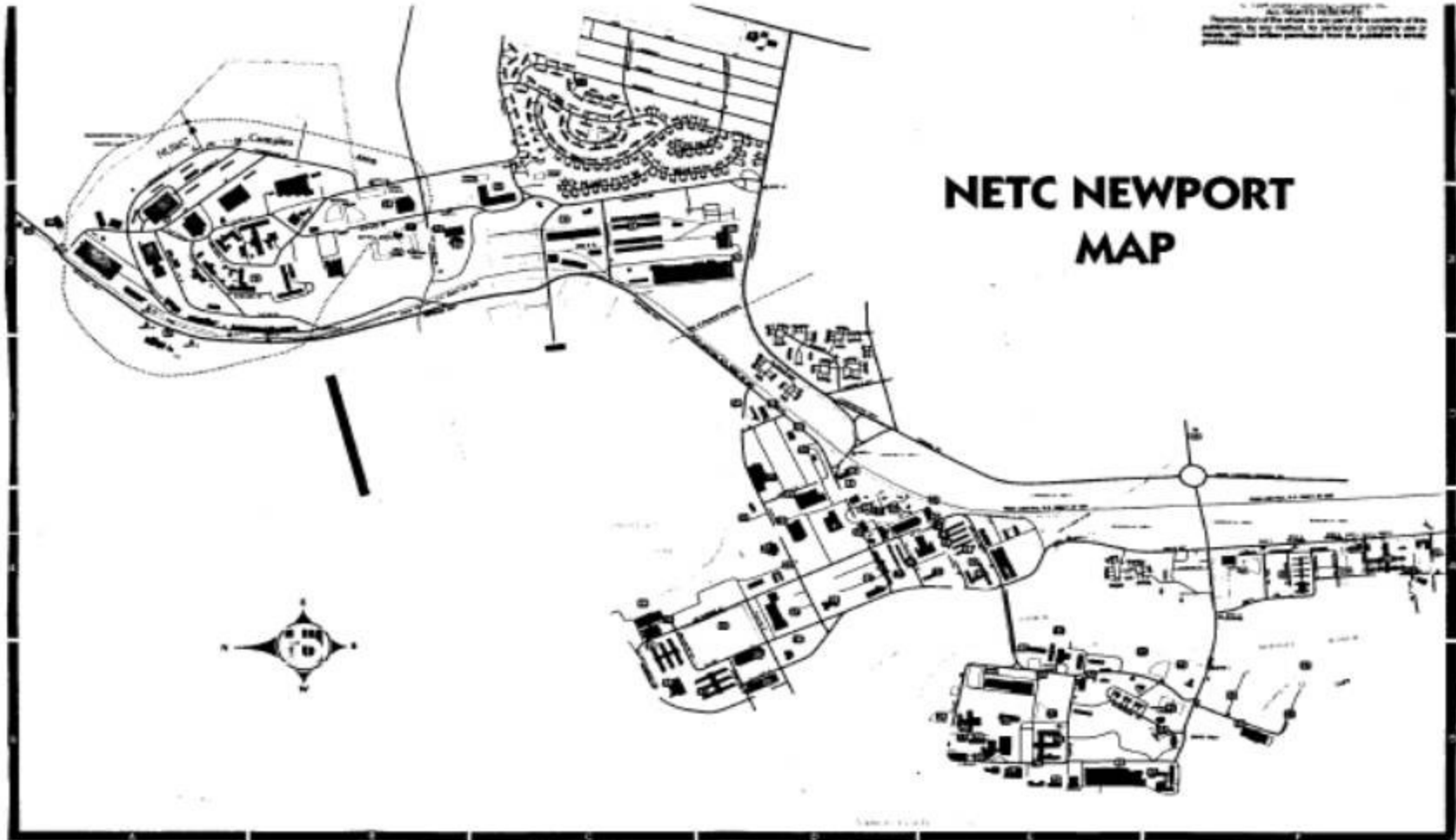
# Naval Station Newport Location Map





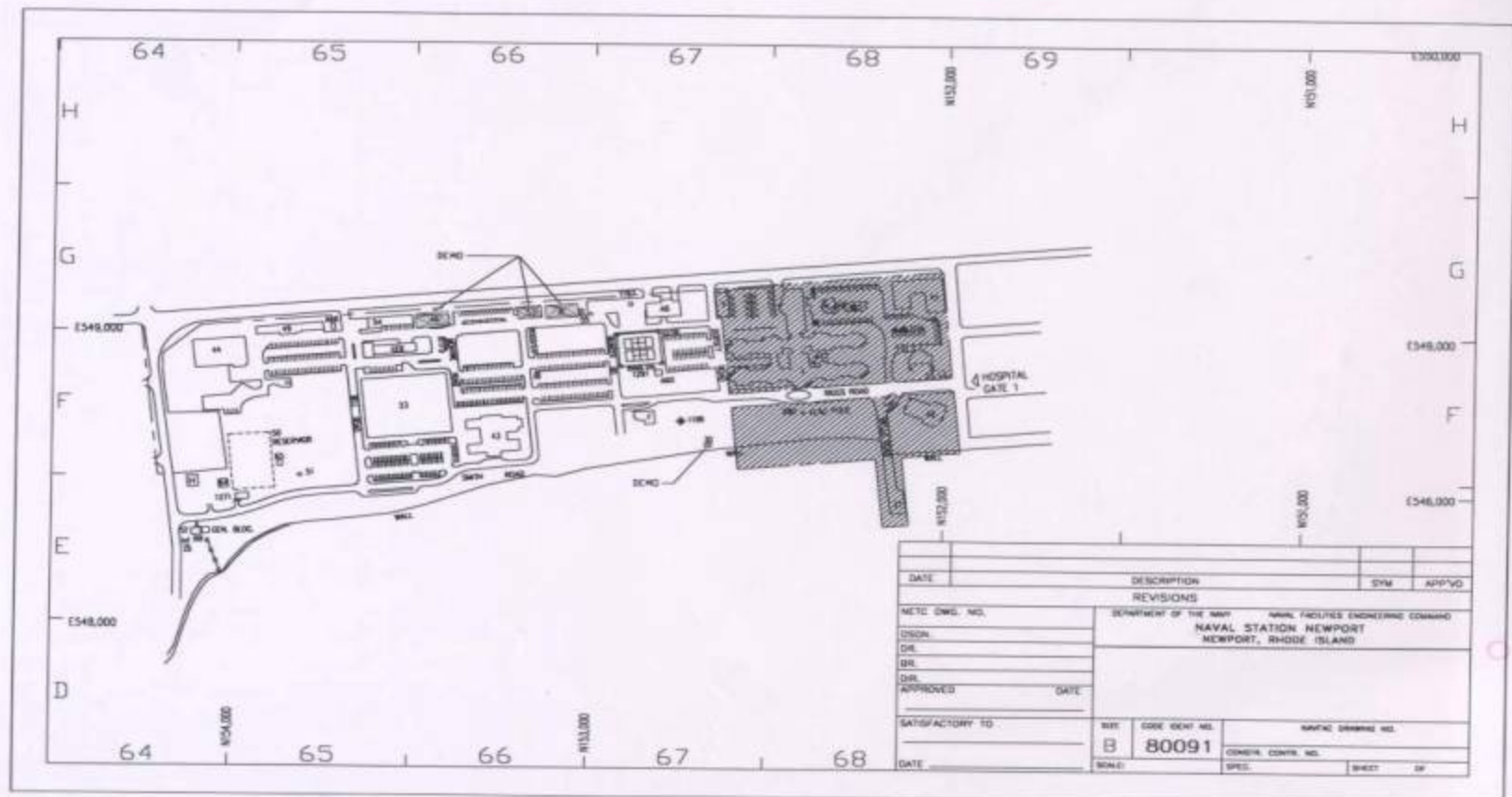


# Naval Station Newport Base Map





# Naval Station Newport Hospital Site Map





# Property Description



- The complex was utilized as a Naval Hospital and support facilities. Operations ceased in 1998.
  
- The site has:
  - Two active housing units
  - Chapel
  - Drug Rehab Center
  - Housekeeping building
  - Emergency generator building
  - Pier





# Property Description



- Approximately 10 acres.
  - 3 acres underwater in Narragansett Bay.
  - Within one mile of Newport Bridge.
- Seven buildings from 874 SF to 147,566 SF.
- Six of the seven buildings were built prior to 1948.
- 80 foot pier is included!



# List of Facilities

<u>Bldg #</u>	<u>Facility Name</u>	<u>Sq. Ft.</u>
1	Naval Hospital	147,566
7	Housekeeping	4,524
62	Chapel	3,000
45	Drug Rehab	30,738
993	Emergency Generator	874
Qtrs A	Housing Unit	1,900
Qtrs B	Housing Unit	1,900
Pier 71	Berthing Pier	490 syds



# Constraints



- Compliance with all applicable federal, state and local zoning codes.
- New construction must be built to local code(s).
- Be Good Neighbor.
- Exclusive Federal jurisdiction (Police and Fire).
- Move fence lines.



# Navy Envisioned Compatible Uses



- Apartments / Condominiums
- Restaurants / Boutiques
- Small marina
- Office Building / Clean Business
- Others?



# Potential Benefits to Navy



CNRNE intends to seek in-kind consideration.  
Types of consideration may include:

- Maintenance, repair, and/or improvement of existing facilities.
- Environmental Restoration.
- Construction of new facilities.
- Special Projects.



# Examples of Potential In-Kind Projects



Activity	Project Title	Work Description	ECC
NASB	Airfield paving lighting	Repair approach, taxiway and runway edge lighting	\$516,380
NASB	HVAC Control Modifications	Replace/upgrade HVAC controls for NASB Admin and hangar spaces	\$205,901
Newport	Repair Bldg. 1275	Replace roofing and light fixtures. Repair foundation leaks.	\$200,000
Newport	Repair Bldg. 1268	Replace roofing and paint interior.	\$354,000
NWSE	Pier 2 Fender Pile Repairs	Repair Fender Piles	\$460,000
NWSE	Building C-3 Repairs - Upgrade/Repair Basement/Paint Exterior	Repair, Patch, Clean, and Paint Basement/Paint Exterior	\$133,000
PNSY	Repairs to Electrical Substation	Blast / Repair Exterior	\$45,000
PNSY	Electrical System Repairs	Rpr. Shelters @ franklin substation	\$346,000
SUBASE	Rpl 3 Roof-top HVAC Units, B-157	Units are beyond useful life. System should be redesigned for efficiency.	\$70,000
SUBASE	Rpl Roof B-460	Roof is deteriorated and needs replaced.	\$150,000





# NAVAL HOSPITAL







# NAVAL HOSPITAL





# DRUG/REHAB







# EMERGENCY GENERATOR





# HOUSEKEEPING







# CHAPEL





# BERTHING PIER







# SCENIC VIEW







# The Process



- COMPETITIVE Award Process.
- Award criteria include:
  - Amount/Quantum of in-kind consideration, (must be at least equal to Navy's FMRV).
  - Type and Variety of in-kind service(s) offered.
  - Offeree's ability to deliver in-kind service(s).
- Post Award Contract Administration by EFANE with local base(s) support.



# Lease Terms



- Term: Navy envisions 20 – 25 years. Longer needed?
- Rent: Navy must get at least FMRV. Lease will provide for “credits” in event in-kind services provided exceed annual rent.
- Use of property / Prohibited Uses: Lease will include terms aimed at ensuring “good neighbor”.
- Finding of Suitability to Lease (FOSL).



# Lease Terms



- Insurance: All risks Property and Casualty, 3<sup>rd</sup> Party Personal, Workman's Comp, and Vehicular.
- Bonds: "Environmental Protection" and "General Maintenance". Additional bonds required in the event of construction.
- Indemnification: Lessee Indemnifies Government.
- Utilities and Services: Lessee provided (not Gov't).
- State and Local Taxes: Lessee responsible for any and all applicable taxes.



# Lease Terms



- General Maintenance Obligation
- Assignment or subletting (w/  
Government approval)
- Termination by Government
- Mortgage of Leasehold Interest
- Historic Preservation



# Projected Timeline



- Industry Forum (Jul 03)
- McKinney Screening (Homeless Providers) (Aug 03)
- Issue Request for Proposal (Oct/Nov 03)
- Bids due (Jan/Feb 04)
- Navy Review of Bids (Feb/Mar 04)
- Navy/Congressional Approvals (May/Jun 04)
- Award contract (Jun 04)



# QUESTIONS / SITE VISIT



- Attendees invited to submit written questions.
- After short break, Questions will be collected and answered.
- After questions are answered a tour will be provided commencing at 1:00 PM.